

Individual Development Accounts

Individual Development Accounts (IDAs) are matched savings accounts for low-income families and individuals.

When an account is matched, it means another organization, such as a foundation, corporation, or government entity agrees to add money to your account.

Organizations will match the money people save in IDAs to encourage low-income families to save money on a regular basis. IDAs are based on the concept that asset building is necessary to break the cycle of poverty and to help families become financially independent.

Asset building refers to people purchasing or holding items that will help them financially in the future. Organizations involved in IDA programs want to help low-income families achieve self-sufficiency.

If you are eligible to open an IDA, the money must be used for a specific purpose. Allowable purposes include:

- ▶ Job training
- ▶ College education
- ▶ Small business start-up
- ▶ Down payment for a home

There are a few programs that allow you to save for other purposes. However, most programs will only offer accounts for the purposes listed here because these are likely to increase your future financial security.

Each IDA program is a little different, so you must ask the person who runs the program in your area about the details. However, all IDA programs have many similar features.

- ▶ IDA programs are generally run by local community-based organizations. They help to recruit eligible people into the program and usually organize the required training sessions for the participants.
- ▶ Most programs require that the participants take a certain number of financial education courses. Community group teachers or volunteer bankers might teach these classes.



- ▶ Depending on what you decide to save for, you might be required to take additional classes. For example, if you are saving for a down payment on a house, you will usually have to take homeownership classes.
- ▶ If you are saving money to start a business, you will usually take classes to help you understand business concepts and develop a business plan.
- ▶ If you are in an IDA program, you must deposit some money into a special savings account at a participating bank. You will need to make a deposit at least once a month for the entire length of the program. A program might last 12-36 months.
- ▶ Your reward for saving is the education you receive throughout the program and the money that gets added into your account at the end of the program. When you have completed the program, the organization will help you with the next steps.

If you are interested in exploring IDA programs in your area, you can check the IDA Network website to search for programs by state at www.idanetwork.org.

IDAs have already helped in the purchase in over 10,000 homes, funded thousands of college educations, and assisted in the creation of thousands of small businesses. If you qualify, an IDA can be a valuable tool.